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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/06

SPONSOR Fox-Young LAST UPDATED _____ HB 85

SHORT TITLE Reduce Certain Income Tax Rates SB _____

ANALYST Francis

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY06	FY07	FY08		
(29,700.0)	(60,130.0)	(30,400.0)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Taxation and Revenue Department (TRD)

Responses Received From
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 85 accelerates the phase-in of the personal income tax rates started in 2003 so that the top income bracket rate is 4.9 percent starting in tax year 2006 rather than tax year 2008 as is the case in current law. This changes two years of income tax rates as Table 1 shows:

Table 1: Personal Income Tax Rates By Income Bracket

	Married Filing Jointly, Surviving Spouses, Head of Household	Married Filing Separate	Single	2006	2007	2008
Current Law	Taxable Income Brackets					
	<8000	<4000	<5500	1.7%	1.7%	1.7%
	8000-16000	4000-8000	5500-11000	3.2%	3.2%	3.2%
	16000-24000	8000-12000	11000-16000	4.7%	4.7%	4.7%
	24,000 +	12,000 +	16,000 +	5.3%	5.3%	4.9%
HB85	<8000	<4000	<5500	1.7%	1.7%	1.7%
	8000-16000	4000-8000	5500-11000	3.2%	3.2%	3.2%
	16000-24000	8000-12000	11000-16000	4.7%	4.7%	4.7%
	24,000 +	12,000 +	16,000 +	4.9%	4.9%	4.9%

FISCAL IMPLICATIONS

The fiscal impact of HB 85 is to reduce personal income tax collections by \$60.1 million in tax year 2006 and \$60.8 million in 2007. Assuming tax years are spread evenly over fiscal years, there will be a FY06 impact of \$29.7 million. The FY07 impact will be \$60.1. FY08 is assumed to be the \$60.8 million, accounting for natural increases in personal income.

SIGNIFICANT ISSUES

The benefits of the remaining years of the phase-in and hence the tax relief in HB 85 accrue only to those tax filers subject to the highest bracket as indicated in Table 1 or 34 percent of tax filers.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The personal income tax rate for the top income bracket is already scheduled to come down to 4.9 percent in 2008,

NF/yr:nt